



ELECTRONIC BENEFITS TRANSFER COUNCIL

*off rec'd
5 July 97*

July 8, 1997

Director, Card Technology Division
Financial Management Service
U.S. Department of the Treasury
Room 526, Liberty Center
401 14th Street, SW
Washington, DC 20227

Dear Sir/Madam:

This letter is to comment on the notice of proposed rulemaking published by the Financial Management Service on May 9, 1997 with regard to "Electronic Benefits Transfer (EBT); Selection and Designation of Financial Institutions as Financial Agents." These comments are provided on behalf of the EBT Council (Council), which is an emancipated group within the National Automated Clearing House Association (NACHA). The primary purpose of the Council, which is comprised of financial institutions, payments networks, merchants, EBT service providers and governments, is to develop and maintain nationwide operating rules for EBT. Six states are currently using the Quest® Operating Rules (Rules) developed by the Council and well over half the states have indicated that they plan to use the Rules.

Of particular interest to the EBT Council are provisions in the proposed regulation relating to the Benefit Security Card® mark. Specifically, we believe it is important that the proposal acknowledge that the Benefit Security Card mark is intended to be used in conjunction with other marks. In order for the federal government to realize its cost savings and efficiency goals, the Benefit Security Card mark must be able to coexist with other marks to leverage off of the existing commercial payments infrastructure and existing state EBT programs.

Because the Benefit Security Card mark is not associated with any payments infrastructure, the federal government must make arrangements for acceptance of Benefit Security Cards in commercial systems around the country. For example, it is my understanding that in the SecureCard pilot in Baltimore, Maryland, the Most® (now HONOR®) mark is used to indicate acceptance within the Most ATM network, and that the Cirrus® mark is used in the Texas Direct Payment Card pilot to indicate card acceptance. We understand that the Most and Cirrus marks appear on the cards, whereas recipients in the Texas pilot are trained to look for the Pulse mark to obtain benefit access even though the Pulse mark does not appear on the cards.

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Furthermore, it is important that the Benefit Security Card mark be used in conjunction with state benefits distribution systems to facilitate the cost savings and efficiency goals set forth in the Federal EBT Task Force's 1994 report, Creating a Benefit Delivery System that Works Better & Costs Less. Vice President Gore has articulated a vision of EBT delivery in this regard that requires the Federal government to help "[m]ake EBT nationwide in the fullest sense -- one card, user friendly, with unified delivery of government funded benefits." This vision can only be brought to fruition if federal Direct EBT payments under the Benefit Security Card program are combined with state benefits in a seamless manner.

It is precisely with this vision in mind, therefore, that the EBT Council adopted the QUEST Mark and Rules for the uniform distribution of government benefits by multiple government entities, providing interoperability among states, the ability to accommodate both state and federal benefits, and maximum flexibility and ease of use for recipients. As noted above, at least six states have now adopted the QUEST Mark and Rules for distribution of state administered benefits. These states can now opt to accommodate Federal direct benefits as well, eliminating the need for a duplicative infrastructure. As Quest is used by the states, a system of operating agreements, using the commercial infrastructure, is being created that will easily encompass federal direct payments on a single card with state benefits. Although some states may use different mechanisms in this regard, the important point is that the Department of the Treasury should expressly acknowledge its intent that the Benefit Security Card mark does not supplant commercial or other marks used for benefits distribution.

With these principles in mind, we would respectfully suggest modifying Section 207.3(a)(4) of the proposed regulation as follows and confirming in the final Supplemental Information the Treasury Department's intent to cooperate with the states in undertaking the uniform delivery of government benefits:

(4) Issue to each unbanked recipient a debit card bearing the Benefit Security Card service mark ~~which will~~. The Card must permit the recipient to access the account established pursuant to paragraph (a)(1) of this section at automated teller machines and point of sale terminals. Use of the Benefit Security Card mark does not preclude the use of other marks on the card or terminals.

The EBT Council looks forward to continuing its work with the federal government in order to help make EBT a nationwide reality.

Sincerely,

A handwritten signature in black ink, appearing to read "James McCarthy", with a stylized flourish at the end.

James McCarthy
Chairman